



South Dakota Legislative Research Council

Issue Memorandum 94-19

CAPITAL CONSTRUCTION FUND

Introduction

House Bill 1353 from the 1993 Legislative Session established the Capital Construction Fund (CCF). The statutes relating to the CCF can be found in chapter 5-27 of the South Dakota Codified Laws (SDCL). This issue memo will explain the purpose of the CCF, identify the fund's revenue sources and appropriations, and review the status of the construction projects at the State Penitentiary and the Human Services Center. The attachment is a condition statement for the CCF from the Bureau of Finance and Management.

Purpose of the Capital Construction Fund

Section 5-27-1 of the SDCL states the purpose of the CCF.

" . . . The capital construction fund shall be used to provide funding for ethanol incentive payments and public transportation, to conduct maintenance and repair on state-owned buildings pursuant to chapter 5-14, and to build, furnish and equip capital improvement projects, including the development and construction of projects on the state water plan."

Revenue Sources

The CCF has a variety of revenue sources. The following table lists each revenue source, the statutory citation, and the amount of money deposited in the CCF.

REVENUE SOURCE	FY 94	FY 95
Transfer from Cement Plant (§5-27-7)	\$ 0	\$ 2,000,000
Net proceeds from on-line lottery tickets (§5-27-1)	\$ 3,342,424	\$ 6,400,000
Principal from Youth-at-Risk Trust Fund (§5-27-3)	\$ 400,000	\$ 0
Petroleum tank inspection fee (§34A-13-20)	\$ 5,450,421	\$ 5,900,000
Tax on products to deworm livestock (1993 Session Laws, Ch. 48, Sec. 15)	\$ 500,000	\$ 500,000
Building Authority Transfer (§ 1-16G-22 and 23)	\$ 7,500,000	\$ 0
Transfer of Unspent Ethanol Funding (§10-47A-56)	\$ 174,844	\$ 0

The first \$2,000,000 deposited in the general fund from the cement plant shall be transferred to the CCF. This transfer begins in FY 95 and continues each year thereafter.

The transfer of net proceeds from the sale of on-line lottery tickets (e.g., Powerball) began in FY 94 when the obligation for dedicating those funds to the correction facility construction fund was met.

The principal from the Youth-at-Risk trust fund may be transferred to the CCF to meet cash flow requirements. This transfer is a loan and shall be repaid with interest.

The petroleum tank inspection fee of \$20 per 1,000 gallons of petroleum is imposed on any petroleum product received in the state. In FY 94 forty percent of the revenue collected was deposited in the CCF. In FY 95 and each year following forty-two percent of the revenue collected is deposited in the CCF until \$5,900,000 has been deposited. The balance of the revenue collected is deposited in the petroleum release compensation fund.

The tax exemption for products used to deworm livestock (endoparasitocides and ectoparasitocides) was repealed in HB 1353. The tax imposed on these products is in effect

until July 1, 1996. Based on the estimated amount of tax collected on these products, \$500,000 shall be deposited in the CCF on June 30, 1994; June 30, 1995; and June 30, 1996.

The Building Authority transfer was authorized in HB 1395 during the 1994 Legislative Session. The transfer includes all funds in the annuity contract fund and the annuity contract contingency fund which are on deposit with the trustee (Norwest Bank of Minneapolis). The transfer also includes "any funds deemed available by the authority." The transfer may not exceed \$7,600,000.

The transfer of unspent ethanol money occurs at the end of each fiscal year. Any unobligated cash balance in excess of \$100,000 in the ethanol fuel fund is transferred to the CCF.

Expenditures and Appropriations

According to §5-27-1 "Expenditures from the fund shall be made only upon approval by the Legislature." The following table itemizes appropriations from the CCF, lists the statutory citation (when relevant), and lists the amount expended.

APPROPRIATION	FY 94	FY 95	FY 96
Fighting Stallions Memorial	\$ 250,000	\$ 0	\$ 0
Livestock Disease Emergency Fund Repayment	\$ 242,000	\$ 0	\$ 0
Youth-at-Risk Trust Fund Interest (§5-27-2)	\$ 0	\$ 20,000	\$ 0
Youth-at-Risk Trust Fund Principal (§5-27-3)	\$ 0	\$ 306,993	\$ 0
Ethanol Fuel Fund (§5-27-4)	\$ 2,700,000	\$ 2,504,004	\$ 3,003,996
Public and Special Transportation Fund (§5-27-5)	\$ 399,600	\$ 399,600	\$ 399,600
Water and Environment Fund (§5-27-6)	\$ 2,499,960	\$ 3,504,000	\$ 3,504,000
Water and Environment Fund	\$ 4,000,000	\$ 0	\$ 0
Environment and Water Resources Trust Fund	\$ 0	\$ 4,500,000	\$ 4,500,000
Transfer to General Fund for purposes in §5-27-2	\$ 0	\$ 3,400,000	\$ 3,400,000
Economic Development Incentive Fund (1-16G-21)	\$ 0	\$ 7,500,000	\$ 0
State Facility Revolving Fund	\$ 0	\$ 150,000	\$ 0
Capitol Complex Maintenance & Repair (§5-27-8)	\$ 0	\$ 520,000	\$ 520,000
Human Services, Corrections, and State Veteran's Home Maintenance & Repair (§5-27-9)	\$ 0	\$ 270,000	\$ 270,000
Special Schools and Agricultural Experiment Station Maintenance & Repair (§5-27-10)	\$ 0	\$ 75,032	\$ 75,032
Statewide Maintenance & Repair fund (§5-27-11)	\$ 0	\$ 1,500,000	\$ 1,500,000

The appropriation for the Fighting Stallions Memorial was authorized in SB 1 during the Special Session of the Sixty-Eighth Session of the Legislature held May 25, 1993.

The transfer of \$242,000 from the CCF to the Livestock Disease Emergency Fund (LDEF) is found in the 1993 Session Laws, Chapter 48, Section 6. This is a repayment to the LDEF for money used by the Board of Regents to complete an architectural and engineering study of the Animal Disease Research and Diagnostic Lab at South Dakota

State University. This transfer does not appear on the attached condition statement.

According to the Bureau of Finance and Management, the Building Authority transferred the money to the LDEF.

The interest owed to the Youth-at-Risk Trust Fund is continuously appropriated from the CCF in §5-27-2. Section 5-27-3 gives the Bureau of Finance and Management authority to transfer principal from the Youth-at-Risk Trust Fund to the CCF to meet cash flow requirements of the CCF.

The transfer to the Ethanol Fuel Fund is for the purpose of making production incentive payments to ethanol producers. According to §10-47A-56, money in the Ethanol Fuel Fund is continuously appropriated and any unobligated balance in excess of \$100,000 shall be transferred to the CCF at the end of the fiscal year.

The transfer to the Public and Special Transportation Assistance Fund is used to help South Dakota communities with a portion of the match required to participate in the federal funding for public transportation. Money in the Public and Special Transportation Assistance Fund is continuously appropriated.

According to §5-27-6, during FY 95 and each year thereafter the Bureau of Finance Management is required to transfer \$292,000 per month from the CCF to the Water and Environment Fund. These funds are to be used in the Consolidated Water Facilities Construction Program. The transfer during FY 94 was \$208,330 per month. House Bill 1353 required an additional transfer during FY 94 of \$4,000,000 from the CCF to the Water and Environment Fund.

Beginning in FY 95 and each year thereafter, HB 1353 required the Bureau of Finance and Management to transfer \$4,500,000 from the CCF to the Environment and Water Resources Trust Fund established in §46A-1-82.

During FY 95 and each year thereafter, HB 1353 authorized the Bureau of Finance and Management to transfer up to \$3,400,000 from the CCF to the General Fund for the purposes in §5-27-2.

The appropriation to the Economic Development Incentive Fund is authorized in Section 5 of HB 1395 from the 1994

Legislative Session. The funds are for the purpose of making or participating in direct mortgage loans for a preferred development project.

House Bill 1091 from the 1994 Legislative Session included the appropriation to the State Facility Revolving Fund. The fund is used to evaluate proposed capital improvement projects that receive funding from the CCF.

Section 5-27-8 requires the Commissioner of BFM to transfer \$520,000 from the CCF to the Capitol Complex Maintenance and Repair Fund on July 1 of each year beginning in 1994.

The following is a prioritized list of transfers that can be made with any unobligated cash in the CCF once the obligation to the Capitol Complex Maintenance and Repair Fund is met:

(1) \$272,000 to the Human Services, Corrections, and State Veteran's Home Maintenance and Repair Fund within the Bureau of Administration (BoA);

(2) \$75,032 to the Special Schools and Agricultural Experiment Station Maintenance and Repair Fund within BoA; and

(3) \$1,500,000 to the Statewide Maintenance and Repair Fund established in §5-14-30.

Status of the Penitentiary and Human Services Center Construction Projects

The construction of a new prison facility was authorized in SB 47 during the 1990 Legislative Session. The original cost was \$17,000,000. The cost was revised to \$20,000,000 in SB 306 during the 1993 Legislative Session. Construction began in 1990 and was completed in December of 1993.

The funding for the prison came from the following sources:

\$2,000,000 from the Building Authority

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The funds for the new prison in the Correction Facility Construction Fund came from on-line lottery proceeds (Powerball) and one time revenue generated by switching to monthly collection of sales tax.

The construction of a new addition to the Human Services Center in Yankton was authorized in SB 7 during the 1992 Legislative Session. The estimated cost was \$33,075,000. Construction began in 1994 and is scheduled to be completed in 1996. The South Dakota

Building Authority was authorized to finance the project with revenue bonds. The FY 95 budget for the Department of Human Services includes \$2,281,408 of general funds for bond payment. The funding for this payment was transferred to the general fund from the CCF.

This issue memorandum was written by David Becker, Fiscal Analyst for the Legislative Research Council. It is designed to supply background information on the subject and is not a policy statement made by the Legislative Research Council.
